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Makhteshim Agan reports record sales and profits and an increase in profitability in Q1 of 2008

- **Sales up 31% reaching a record of \$722 million**
- **Gross profit up 35% reaching a record \$260 million**
- **Gross profit margin increased to 36% from 35%**
- **Operating profit up 58% reaching a record \$134 million**
- **Continued cost containment combined with sales' growth increased operating profit margin to 19% from 15%**
- **Net profit up 28% reaching a record \$91 million**

Sales in the first quarter were 30.6% higher reaching a record of \$722 million, compared with \$553 million in 2007. Agro sales were 32% higher compared to 2007. The growth in sales stemmed primarily from sales in Europe, which amounted to \$340.0 million compared to \$267.4 million in 2007, an increase of 27.1%, growth in South America which amounted to \$147.4 million, an increase of 47.4%, and growth in rest of the world which amounted \$98.7 million, and increase of 70.1% resulting primarily from increased sales in Australia.

Gross profit this quarter totaled \$260.2 million compared to \$192.3 million in 2007. Gross margin increased to 36.0% compared with 34.8% in 2007. The increase in gross

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profit and gross margin stems mainly from volume growth, an increase in average selling prices and appreciation of the Euro. The increase in gross profit was partially offset by an increase in costs stemming from the sharp increase in oil prices, resulting in an increase of raw material prices and energy costs, and appreciation of currencies which increased production costs.

Operating profit for the first quarter was 58.3% higher reaching a record of \$133.8 million (18.5% of sales) compared to \$84.5 million (15.3%) in 2007. The increase in operating profit and operating margin stemmed from an increase in gross profit and continued containment of operating expenses.

Operating expenses as percentage of sales dropped and amounted to 17.5% compared to 19.5% in 2007. This trend of continued decrease of operating expenses as percentage of sales stems mainly from sales' growth as well as continued effects of the Company's change and efficiency plan.

EBITDA

EBITDA during the first quarter was 43.0% higher at a record of \$155.4 million (21.5% of sales) compared to \$108.7 million (19.7% of sales) in 2007. The improvement in EBITDA margin stems from the sharp increase in Company's operating profit.

Net profit during the first quarter was 27.8 higher at a record of \$90.9 million (12.6% of sales) compared to \$71.1 million (12.9% of sales) in 2007. The slight decline in the net profit margin stems mainly from an increase in financing expenses, most of which is a result of a one-time effect of implementation of IFRS accounting standards for the first time during this quarter.

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Avraham Bigger, Chairman of the Board and CEO of Makhteshim Agan, said that “the positive trends that existed in the crop protection market in 2007 are continuing in 2008. In the first quarter Makhteshim Agan has continued to demonstrate its engrained growth capabilities, capitalizing on favorable weather conditions and strong demand in the crop protection sector stemming from an increase in world population, a rise in standard of living, particularly in growth markets, which together result in an upward trend in prices of agricultural outputs and increased planted acreage. The strong demand in the sector enables us to uphold our selling prices which, together with continued cost containment that results from our change and efficiency plan, led to an improvement of the Company's gross profitability and continued improvement of its operating profitability. As reported by other companies in the sector part of the growth in the first quarter may result from advancement of sales from the following quarters.”

Ran Maidan, the Company's CFO, said that “the Company reported strong financial performance in terms of sales, gross profit and operating profit. Our gross profit margin increased to 36.0% compared to 34.8% in 2007. The improvement in gross profit stemmed mainly from an increase in our average selling prices and significant appreciation of the Euro compared to 2007. Operating profit margins increased to 18.5% compared to 15.3% in 2007. The expansion of the operating margin stems from the improved gross profitability and continued reduction of operating expenses as a percentage of sales, resulting from increased sales and the continued implementation of the change and efficiency plan. The increase in financing expenses did not stem from an increase in the Company's ordinary financing expenses but rather, mainly from one-time effects of implementation of IFRS for the first time during this quarter.”

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